



STATE BOARD OF EQUALIZATION STAFF LEGISLATIVE BILL ANALYSIS

Date Introduced:	02/18/04	Bill No:	AB 2207
Tax:	Local Sales and Use	Author:	Levine
Board Position:		Related Bills:	

BILL SUMMARY

This bill would require state agencies that prepare and maintain data and statistics on cities, to make a separate breakdown of the San Fernando Valley.

ANALYSIS

Current Law

Under current Government Code provisions, the Department of Finance, the State Department of Health Services, and the Department of Transportation are required to make a separate breakdown of the San Fernando Valley when preparing or maintaining any statistical analyses by city. Also, under current law, a state agency is not required to prepare or maintain any statistical information unless: (1) information is currently being prepared or maintained by city; or (2) a state agency voluntarily prepares or maintains information by city.

Under current Bradley-Burns Uniform Local Sales and Use Tax Law, the Board is required to collect and maintain local tax data by city, county, or city and county. Under current Transactions and Use Tax Law, the Board is required to collect and maintain local tax data by special taxing district. The Board, in its annual report, publishes the following statistical data: (1) State Sales and Use Tax Statistics by County; (2) Revenues Distributed to Cities and Counties From Local Sales and Use Taxes; (3) Revenues Distributed to Counties From County Transportation Tax; and (4) Revenues Distributed to Special Districts From Transactions and Use Tax.

The Board publishes a quarterly report titled, "Taxable Sales in California." This report provides taxable sales data by: (1) Statewide Taxable Sales, By Type of Business; (2) Taxable Sales, By County; and (3) Taxable Sales, By City. The quarterly report is available on the Board's website at <http://www.boe.ca.gov/news/tsalescont03.htm>. The Board also prepares an annual publication titled, Taxable Sales in California (Sales & Use Tax). This publication contains taxable sales data by: (1) Statewide Taxable Sales, By Type of Business; (2) Taxable Sales, By County; (3) Taxable Sales in the 36 Largest Counties, By Type of Business; (4) Taxable Sales in the 22 Smallest Counties, By Type of Business; (5) Taxable Sales in the 272 Largest Cities, By Type of Business; and (6) Taxable Sales in All Cities Except the 272 Largest.

Proposed Law

This bill would add Section 11093 to the Government Code to provide that any state agency or department that develops and maintains data and statistics on the municipal level, would be required to make a separate breakdown of the San Fernando Valley. This bill would revise the existing boundary definition for the San Fernando Valley to

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include that portion of the City of Los Angeles, as described. This bill would also require the City of Los Angeles to provide all necessary data.

COMMENTS

1. **Sponsor and purpose.** This bill is sponsored by the Valley Industry and Commerce Association in an effort to promote the development of reliable statistical information for the San Fernando Valley area by expanding and enforcing existing data collection efforts. According to the author's office, San Fernando Valley is a "distinctive region of the City of Los Angeles with its own set of issues, challenges, and priorities." This information will permit more accurate planning for transportation, infrastructure, education, land use, and economic development for this "geographically distinct region."
2. **Tasks necessary to implement this bill.** To implement the provisions of this bill, the Board would have to treat the San Fernando Valley as a newly incorporated city. This would require creating a special tax area code for the San Fernando Valley. Tax area codes are used by the Board to collect, maintain, and distribute revenues from local sales and use taxes to local jurisdictions and also as a basis of developing statistical data.

Once the tax area code is established, the Board would have to identify all accounts within the San Fernando Valley. The Board requires all newly incorporated cities to furnish maps and listings of street addresses (see comment 4). The Board would have to print out all 112,675 accounts currently within the City of Los Angeles and the surrounding areas. However, Board staff would have to review approximately 115,000 accounts to capture any accounts within the surrounding area of the City of Los Angeles that could be located within the San Fernando Valley. Using the street listings provided by the City of Los Angeles, Board staff would have to compare each business address from the Board's records to the city's street listing to identify those accounts within the San Fernando Valley.

Once the accounts have been identified, each account must be changed on the Board's registration system. This would require changing the tax area code, entering comments regarding the nature of the changes made, and other minor modifications. When changes have been made to the registration system, a listing of all accounts that were changed, as well as copies of maps and street listings, are forwarded to the appropriate district offices for distribution to personnel responsible for registration of new accounts.

Other tasks associated with setting up a newly incorporated city include: preparing written guidelines for audit and compliance staff; designing and printing a special mailer to be mailed with the tax returns to approximately 73,000 affected accounts, and revising various forms and publications.

3. **Effective date of bill would not allow enough time for Board staff to complete the tasks necessary to make a separate breakdown for the San Fernando Valley.** This bill has an effective date of January 1, 2005. However, this date would not allow Board staff sufficient time to complete the various tasks for tracking data on the San Fernando Valley, including but not limited to, identifying and recoding all

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accounts within the San Fernando Valley, programming, revising and printing applicable forms, manuals, and publications, developing instructions for Board staff, and notifying retailers.

Currently, the effective date to administer local sales and use taxes for a newly-incorporated city is the beginning of the quarter following approval of the contract by the Department of General Services (DGS). There is usually a six-month time frame from the date that the city incorporates, to the first quarter following the date that the city's contract is approved by DGS. This time frame allows the Board sufficient time to set-up the new city. Due to the large number of permits within the San Fernando Valley that would have to be recoded, Board staff anticipates that the earliest date it could make the separate breakdown for the San Fernando Valley would be July 1, 2005.

- 4. The City of Los Angeles would have to provide the same records that the Board requires from newly incorporated cities.** This bill requires the City of Los Angeles "to provide all necessary data," including a complete alphabetical listing of streets with beginning and ending street numbers. If the business address includes a building or suite number, that information would have to be provided as well. Also, since some businesses may be operated from homes in residential areas, it is important that all residential as well as commercial streets are included in the list.

Board staff would provide the City of Los Angeles with a listing of all information that is needed to identify businesses located within the San Fernando Valley.

COST ESTIMATE

This bill would require all state agencies that collect and maintain data on a municipal level to make a separate breakdown for the San Fernando Valley. This bill defines the boundaries of the San Fernando Valley to be primarily within the City of Los Angeles. The City of Los Angeles is currently the largest city in California with approximately 112,675 accounts. The area of the San Fernando Valley as described in this bill would be the second largest city in California with an estimated 73,000 accounts within its borders.

Due to the large volume of accounts, the costs to implement the provisions of this bill would be substantial. The tasks associated with these costs include: identifying and recoding accounts, computer programming, developing written guidelines for audit and compliance staff, training of audit and compliance staff, designing and printing a special mailer to be distributed to approximately 73,000 affected accounts, revising several forms and publications, and answering telephone inquiries from the public.

While a detailed cost estimate of those functions is pending, it is estimated that these costs would be substantial – over \$250,000, but less than \$1 million.

REVENUE ESTIMATE

This bill would not impact the state's revenues.

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